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CUSTOMS AUTOMATION

Observations on Selected Automated Commercial System Modules

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Information Management and
Technology Division

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The Honorable Dennis DeConcini
Chairman, Subcommittee on Treasury, Postal
Service, and General Government
Committee on Appropriations
United States Senate

The Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

The Senate Report on the Treasury, Postal Service, and General Government Appropriation Bill for 1988[1] asked us to conduct a detailed review of the U.S. Customs Service's Automated Commercial System (ACS). In a February 8, 1988, letter, the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means, also asked us to examine ACS. We briefed staff members of your Subcommittees, offering our interim observations on three principal ACS modules that support the processing, inspection, and release of merchandise being imported into the United States. This report documents these briefings and provides additional information pertaining to further observations obtained while preparing the report. We will be reporting later on other aspects of ACS, including those modules that support Customs' collection of revenues.

ACS is being developed to automate all of Customs' commercial operations into one integrated system. These operations include reviewing documents that importers must submit prior to importing goods, inspecting shipments, and collecting duties owed to the United States. The system is intended to facilitate the paperless entry of imported merchandise and improve Customs' effectiveness in enforcing trade and tariff laws.

As agreed with your respective offices, we focused our work on three major ACS modules involved in processing the hundreds of billions of dollars in cargo each year—the automated broker interface, the automated manifest system, and cargo selectivity. Our objective was to identify any concerns or problems Customs or the international trade community was having developing and operating these modules.

[1]S. Rep. No. 160, 100th Cong., 1st Sess., p. 31 (1987).

To address this objective, we analyzed documentation pertaining to ACS development and operation; discussed ACS with Customs headquarters and field personnel, as well as system users and potential users in the private sector; and observed the system working at five international airports, five seaports, and two land border crossings.

The information provided at the briefings is contained in appendix I and is highlighted below.

Background

When goods valued at over $1,000 are imported into the United States, the importer or a broker acting on the importer's behalf must file certain documents with Customs at the port of entry. The documents needed for this filing, called a formal entry, include an application for a permit to immediately deliver cargo, a commercial invoice, and evidence that a bond exists, guaranteeing that duties will be paid. Additionally, when a ship, airplane, train, or truck carrying cargo reaches the United States, its arrival must be reported to Customs, and a manifest, which includes bills of lading providing information on the cargo aboard, must be provided. Customs personnel review the formal entry documentation and cargo manifest, and may physically inspect the cargo. Depending on the results of Customs' review and inspection, the imports may then be released into the commerce of the United States, seized by Customs, or denied entry.

If the goods are released, the importer must submit a set of documents, called an entry summary, and pay the required duties to Customs within 10 working days. Customs personnel review entry summaries for accuracy. The import process is finalized with a liquidation of the import transaction. An entry liquidation is a final review and settlement of the transaction. At this time, the importer may be billed for additional duties or sent a refund if duties were overpaid.

Automated Broker Interface

The automated broker interface module permits brokers to electronically file entry data with Customs before cargo arrives, and electronically file entry summary data after the cargo has been released. The entry information is processed by the ACS cargo selectivity module before the cargo arrives, and a preliminary decision is made by the computer on whether or not to inspect it before release. Brokers can access the automated broker interface module to find out what the decision is. Customs has made a number of technical improvements to resolve response time problems. Last year, about 40 percent of the brokers'

entries were being filed electronically. Acknowledging receipt of these electronic entries had been taking as long as 5 hours, although Customs had agreed to provide brokers with a response within 15 minutes. At the time of our review these improvements were already in place, and brokers generally told us that response times were no longer a problem. We therefore did not make specific measurements to determine actual response times. As of August 1988, about 62 percent of formal entries were being submitted through this module, and Customs officials expect this percentage to increase to about 85 percent in the next 2 or 3 years, with no recurrence of the response time problems.

Although an increasing percentage of formal entries and entry summaries have been filed electronically through the automated broker interface since it became operational in 1984, Customs has continued to require that paper copies of these and other supporting documents also be submitted. According to Customs officials, under new procedures that began August 15, 1988, about 7 percent of all formal entries are being processed through ACS without the usual paper documents being submitted to Customs. Customs also plans to institute paperless processing of entry summaries.

Automated Manifest System

The automated manifest system is intended to allow the exchange of information concerning cargo shipments between Customs and carriers. Because of the differences between types of transportation, Customs is considering separate automated manifest modules for each type. The automated manifest system module became operational for some sea carriers in 1985. Customs began pilot testing an air manifest module in October 1988. However, developing modules for rail and truck manifests has been deferred because of higher priority ACS projects.

The automated manifest system module for sea carriers is being improved to resolve three issues that we believe are or have been hampering its full utilization. First, sea carriers do not currently identify each bill of lading with a unique identifier. According to Customs, each bill of lading must have a unique number for the module to work correctly. Sea carrier representatives agreed that a unique number is needed and, in June 1988, agreed with Customs on how to implement this requirement. Customs officials expect that a unique number for each bill of lading will be required as of April 1, 1989. The second problem concerns in-bond cargo, cargo that enters the country, but is not inspected at its original port of entry. Instead, it is transported to another port where it is inspected and released. During our review, the

automated manifest system module did not allow the electronic release of cargo that is shipped in-bond. However, in discussing a draft of this report with Customs officials, they stated that the capability to electronically release this cargo recently became operational. Finally, some planned security features needed to limit the access of other federal personnel have yet to be incorporated into the operational sea manifest module. Customs officials told us that enhancements to incorporate these features have been completed and are awaiting testing.

Cargo Selectivity

The cargo selectivity module indicates what type of examination Customs inspectors should perform on imports. On the basis of the entry data brokers submit, the module will display one of three messages to Customs inspectors: general examination, document review, or intensive examination. A general examination means that no further action is needed, and that the cargo can be released. A document review consists of a review of the entry paperwork for completeness and consideration of whether the information included warrants further examination of the cargo. The intensive examination identifies high-risk shipments that require physical inspection unless a supervisory inspector approves an override. Examination results are entered into an automated history file, which is maintained in this module's data base for 5 years.

During our review, we noted two instances where the cargo selectivity module's history files were incomplete or inaccurate as well as apparent weaknesses in Customs' efforts to train personnel to use cargo selectivity and other ACS modules. Customs has reemphasized to ACS users the importance of entering timely and accurate data into the system. Customs also has plans to upgrade its training of the system's users.

We discussed this report with Customs officials and have included their comments where appropriate. We are sending copies to the Secretary of the Treasury, the Commissioner of Customs, and other interested parties.

This briefing report was prepared under the direction of James R. Watts, Associate Director. Other major contributors are listed in appendix II.

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Assistant Comptroller
General

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Abbreviations

ABI	automated broker interface
ACS	automated commercial system
AMS	automated manifest system
GAO	General Accounting Office
IMTEC	Information Management and Technology Division

GAO Appendix I

Briefing on Selected Automated Commercial System Modules

GAO Customs Service Missions

- Assess and collect duties, excise taxes, fees, and penalties on imported merchandise
- Combat the entry of narcotics and other contraband into the country
- Process people, cargo, and mail in and out of the country

The U.S. Customs Service, an agency within the Department of the Treasury, was created in 1789 to regulate the collection of duties. The agency's mission has since expanded to include enforcing some 400 provisions of law on behalf of more than 40 federal agencies. Customs' responsibilities include:

- The assessment and collection of duties, excise taxes, fees, and penalties on imports. In fiscal year 1987, Customs collected over $16 billion in revenues on over $400 billion worth of imports.
- The prevention of the entry of narcotics and other contraband into the country. In fiscal year 1987, Customs seized illegal narcotics and dangerous drugs valued at $8.7 billion. Customs also seized over $700 million worth of other merchandise for violations of laws enforced by Customs. These include textile quotas, voluntary restraint agreements, and copyright and trademark laws. Customs cooperates with other federal agencies in suppressing pornography traffic and enforcing safety and emission control standards applicable to automobile imports, restrictions on flammable fabrics, and requirements for animal and plant quarantine.
- The processing of people, cargo, and mail entering and leaving the United States. In fiscal year 1987, over 300 million persons entered the country, and Customs processed over 120 million parcels and letters.

GAO Purpose of the Automated Commercial System (ACS)

ACS is intended to comprehensively automate Customs' commercial operations

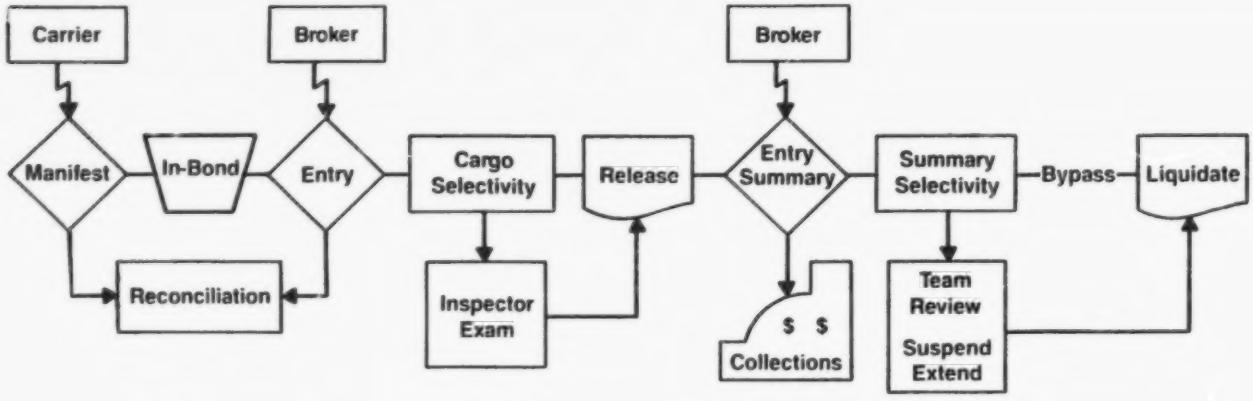
ACS objectives include:

- Using automation to target inspection resources
- Eliminating need for Customs personnel to rekey data that is already computerized
- Providing more timely and accurate management information

In a June 1983 feasibility study, which was used to support the development and use of the Automated Commercial System (ACS), Customs stated that it was faced with the need to maintain or reduce staff resources while its work load increased because of ever-expanding foreign imports. Customs has a duty to expedite the processing of cargo, while still enforcing all applicable regulations. However, as the study pointed out, under its procedures, it was not able to maximize resource use and expedite cargo processing. At that time, seven nonintegrated, independent automated systems processed cargo and collected the related revenue, which created redundant and inconsistent data and impaired Customs' productivity. The agency determined that the solution to these problems was more automation.

ACS is intended to automate all of Customs commercial operations into one integrated system. These operations include reviewing documents that importers submit before importing goods, inspecting shipments, and collecting duties owed to the United States. ACS is also intended to facilitate the paperless entry of imported merchandise and to improve Customs' effectiveness in enforcing laws and protecting revenues by (1) emphasizing automated selectivity to determine which imports should be intensively examined by Customs inspectors and which transactions should be reviewed by other Customs personnel, (2) eliminating the need for Customs employees to manually enter into Customs' computer information that already exists in the computer systems of private sector firms involved in trade, and (3) providing more timely and accurate management information as a result of an integrated data base.

GAO Major ACS Processes



Source: U.S. Customs Service

ACS encompasses the entire range of Customs' involvement in commercial merchandise processing. When goods valued at over $1,000 are imported into the United States, the importer or its authorized broker[1] must go through a process, called making a formal entry, which involves filing certain documents with Customs officials at the port of entry. These documents include an application for a permit to make immediate delivery, a commercial invoice, and proof that there is a bond guaranteeing that duties will be paid. Additionally, when a ship, airplane, train, or truck carrying cargo reaches the United States, the person in charge of it must report its arrival to Customs and submit a manifest, which includes bills of lading providing information on the cargo aboard. Customs personnel review the documentation, and may physically inspect the cargo. Depending on the examination results, the merchandise being imported may then be released into the United States, seized by Customs, or denied entry.

If the goods are released, the importer or broker acting on behalf of the importer must submit a set of documents, called an entry summary. These documents are reviewed by Customs for accuracy. Also, the broker or importer must pay the required duties within 10 days after the goods are released. The import process is finalized with liquidation of the transaction. An entry liquidation is a final review and settlement of the transaction. At this time, the importer may be billed for additional duties or sent a refund if duties were overpaid.

The import process varies somewhat, depending on what type of goods are being imported. For instance, in-bond shipments are sent from their initial port of entry to another port where the goods are either formally entered, inspected, and released or re-exported to another country. Further, entries falling under special trade programs, such as goods for which a quota has been established, need additional document reviews and physical inspections by Customs personnel.

ACS is being designed and implemented using a modular concept. Modules have been or are being developed to support each phase of the import process, including submitting formal entries and entry summaries electronically, filing manifest data, identifying the level of inspection Customs will perform, notifying importers or brokers and carriers

[1]The only persons authorized by the United States tariff laws to act as agents for importers in the transaction of their Customs business are customhouse brokers, private individuals or firms licensed by Customs (19 U.S.C. 1641 (Supp. IV, 1986)). According to Customs officials, brokers file about 95 percent of all formal entries.

that cargo has been released, tracking in-bond shipments, and accounting for revenues collected by or owed to Customs.

Even though ACS permits entry and manifest information to be sent electronically, Customs has continued to require that paper copies of these and other supporting documents also be submitted. According to Customs officials, under new procedures that began August 15, 1988, about 7 percent of all formal entries are being processed through ACS without the usual paper documents being submitted to Customs. Customs also plans to institute paperless processing of entry summaries.

GAO Annual Costs for ACS Development and Operation

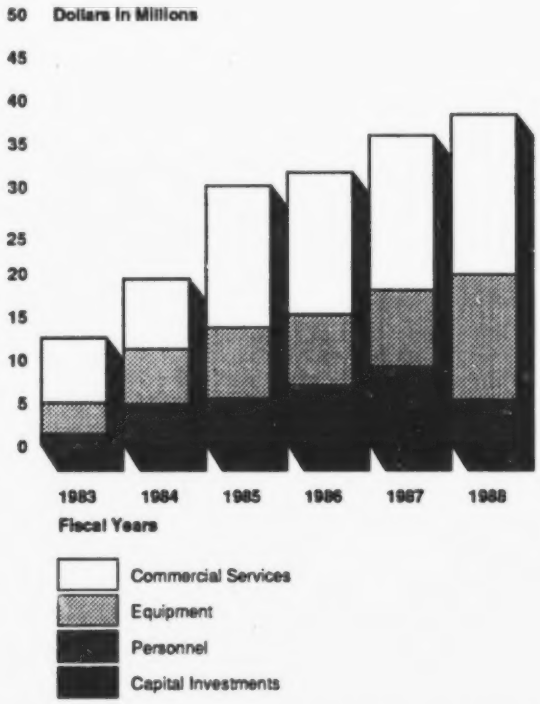


Table does not include offsetting receipts for interagency services.

From fiscal year 1983 to the end of fiscal year 1988, Customs spent about $170 million on ACS development and operations. About one-half has been for commercial services, including systems analysis and programming, system design and engineering, and leased telecommunications services. The rest has been spent for personnel costs, equipment rental,, capital investments such as buying hardware and software, and other operating costs. Customs currently estimates that continued development and operation of the system will cost about $45 million per year for the next 5 years.

Customs is also planning a major ACS procurement over the next 5 years. According to a request that the Commissioner of Customs approved in August 1988 for submission to the Department of the Treasury, this procurement would total nearly $150 million and provide funding to buy a new computer, including acquisition of other enhanced hardware items (e.g., hard disk storage devices and front-end processors), as well as communications support and other system initiatives, such as automating the export process.

GAO Objective, Scope, and Methodology

Objective

- Identify ACS issues concerning the automated broker interface, automated manifest system, and cargo selectivity modules

Scope

- Focused on import process through cargo release

Methodology

- Analyzed system documentation and discussed system operation with Customs personnel and private sector users
- Observed system operation in major ports of entry

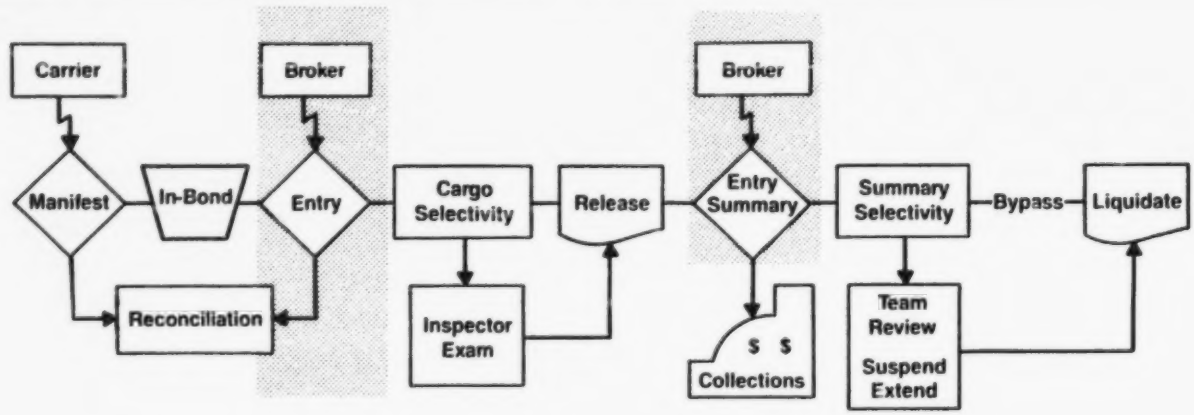
The Senate Report on the Treasury, Postal Service, and General Government Appropriations Bill for 1988 (S. Rep. No. 160, 100th Cong., 1st Sess.) asked us to review Customs' ACS. In a February 8, 1988, letter, the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means, also asked us to examine issues concerning the ACS. During a meeting with the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government on February 10, 1988, and a meeting with the House Ways and Means Subcommittee on Oversight on February 23, 1988, we agreed to focus initially on the automated broker interface, automated manifest system, and cargo selectivity modules. Our objective was to identify problems Customs or the international trade community had related to the development and operation of these modules. We provided our interim observations in oral briefings to the Subcommittees on May 17 and 18, 1988. This report documents those briefings and provides additional information pertaining to observations we noted during the report's preparation. We did not examine ACS modules that support collecting revenues and liquidating entries during this assignment, but plan to report on them in the future.

To accomplish our objective, we analyzed documents relating to the development and current status of ACS. We discussed system operations with managers and staff at Customs headquarters in Washington, D.C.; Customs Data Center in Franconia, Virginia; and at Customs field offices in Los Angeles, San Francisco, and Oakland, California; New Orleans, Louisiana; Memphis, Tennessee; Newark, New Jersey; Buffalo and New York City, New York; and El Paso, Texas.

To obtain the views of ACS users, we discussed system operations with customhouse brokers, including past and present officers of the National Customs Brokers and Forwarders Association of America, Inc.; officials of ocean carrier companies who are automated manifest system users; and representatives of the American Association of Port Authorities, Air Transport Association, Association of American Railroads, American Trucking Association, and National Treasury Employees Union. We observed the system work at Dulles International Airport, Virginia; John F. Kennedy International Airport, New York; Los Angeles International Airport, California; Memphis International Airport, Tennessee; and San Francisco International Airport, California; at the Baltimore, Maryland; Newark, New Jersey; Los Angeles, California; Oakland, California; and New Orleans, Louisiana seaports; and at land border crossings in El Paso, Texas; and Buffalo, New York.

We conducted our review from November 1987 through September 1988. As part of our review, we discussed the information in the report with Customs headquarters officials and have included their comments where appropriate. Our work was performed in accordance with generally accepted government auditing standards.

GAO Automated Broker Interface (ABI)



Source: U.S. Customs Service

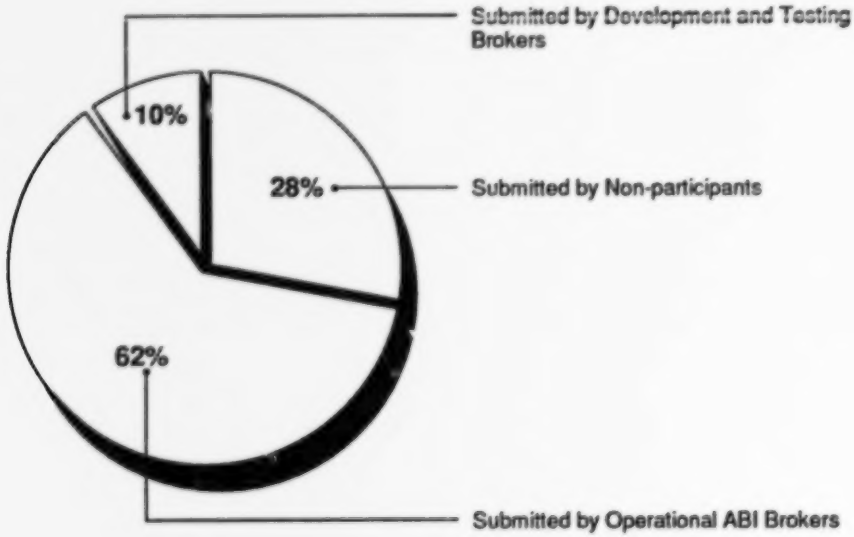
- Brokers electronically transmit entry data for arriving shipments
- Customs compares entry data with cargo selectivity files
- Customs electronically transmits tentative release/ hold messages to brokers
- Brokers electronically transmit entry summary within 10 days after cargo is released

ABI was created to eliminate, or significantly reduce, rekeying data that are already in electronic form on the computers of brokers and importers. Brokers who want to participate in ABI are required to develop computer programs that ensure that their entry and entry summary data are accurate and complete. Entry data are extracted by the brokers from their automated systems, formatted according to Customs specifications, and transmitted electronically to the Customs Data Center in Franconia, Virginia, up to 60 days before the imports arrive. Consequently, Customs personnel are relieved of the tedious task of manually inputting the entry data. Prior to qualifying as operational ABI participants, brokers must demonstrate through testing for 10 days that their systems can accurately record and transmit entry summary data.

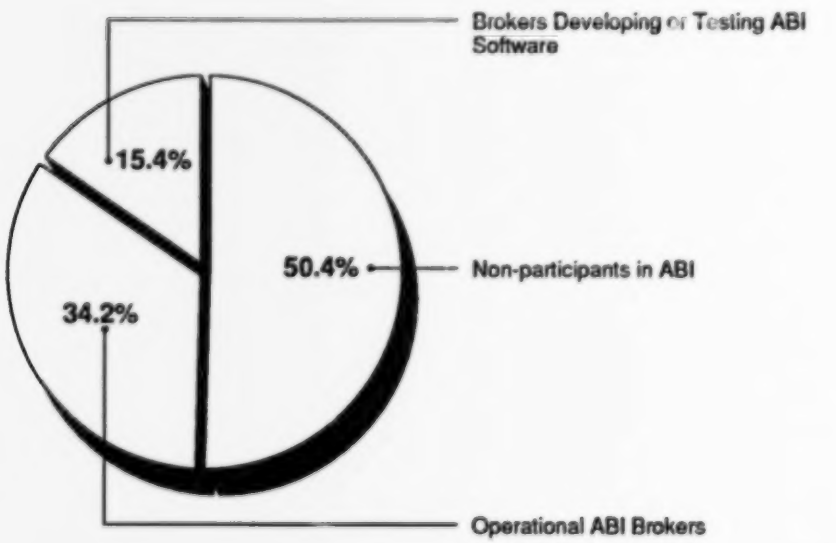
According to Customs officials, the primary benefit Customs receives from ABI is the resource savings that result from the electronic transmission of entry summary data by the broker after the cargo is released. The major benefit brokers receive from ABI is the availability of preliminary inspection decisions after electronically filing the initial entry. By transmitting entry data directly to Customs' computers, ABI entry information can be processed by the cargo selectivity module up to 5 days before the cargo arrives, and a preliminary decision can be made to either release the cargo when it arrives or hold it for further examination. Brokers can then use ABI to obtain the results of this decision, which enables them to arrange for pickup or transportation of the goods in advance. To obtain these benefits, brokers must become certified, through further testing, to receive the preliminary cargo selectivity decisions electronically.

GAO ABI Participation

Proportion of Entries Submitted Through ABI



Proportion of Brokers Participating in ABI



As of August 1988, 34.2 percent of all brokers were electronically transmitting 62 percent of all formal entries to Customs through the ABI module. Another 15.4 percent of the brokers, contributing about 10 percent of all entries, are developing or testing their computer capabilities prior to being accepted by Customs as fully operational. Customs officials expect the percent of entries sent electronically to increase to about 85 percent of all entries received in the next 2 or 3 years.

Currently, the remaining 50.4 percent of the brokers, who submit hard-copy forms that Customs personnel manually enter into ACS, have not asked Customs to clear them to electronically send data.

Until recently, the high automation costs deterred some brokers from adopting ABI. For example, 2 years ago, according to one broker, it would have cost approximately $60,000 to buy the needed data processing hardware and software to participate in ABI. Since then, however, the cost of automation has dropped markedly. Another broker who began participating in ABI last year bought a system for about $22,000, which automates all broker office functions, including ABI. According to a Customs ACS specialist, the hardware and software necessary to connect to ABI is now available for as little as $2,000.

Customs officials and brokers differ on why more brokers have not adopted ABI. Some brokers believe many brokers who are not using ABI are waiting until the new harmonized tariff codes[2] are operational before they buy the computer packages required to submit data through ABI. Customs officials, however, believe brokers are not making greater use of ABI because some brokers are unwilling to change their traditional methods of operation.

[2]On January 1, 1989, the United States government is planning to adopt the internationally developed classification scheme known as the harmonized system (Omnibus Trade and Competitiveness Act of 1988, P. L. 100-418, Subtitle B, 1201 et seq., 102 Stat. 1107, 1147 (1988)). This system provides standardized commodity classifications among countries. All ACS processes involving Tariff System of the United States of America (TSUSA) numbers must be changed to accommodate the new classification scheme.

GAO ABI Observations

Steps taken to remedy response time problems

- Hardware enhanced
- Data base software enhanced
- Application software improved

Plans made to accommodate work load increases

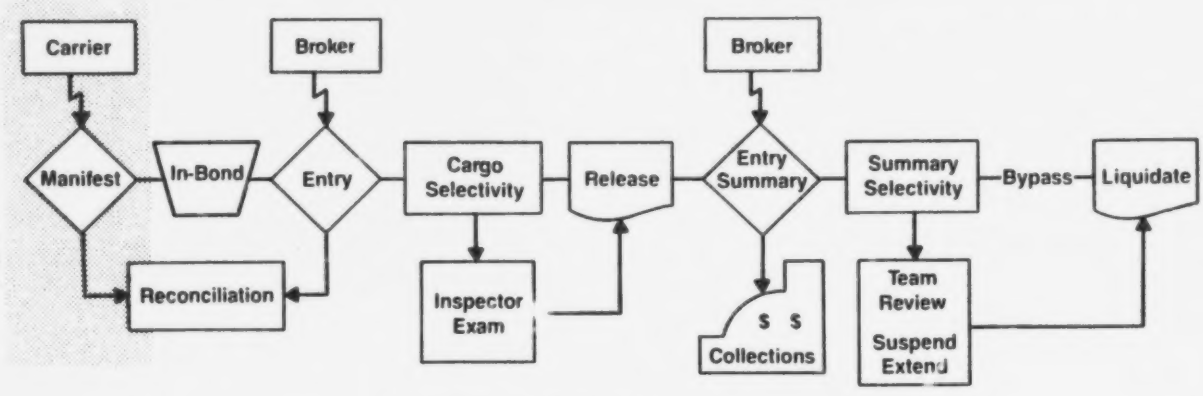
- Customs projects 85 percent of all entries through ABI
- Customs plans to increase storage and processing capacity

In 1987, the ABI system took too long to acknowledge receipt of automated broker entries. According to brokers and Customs, responses took up to 5 hours, whereas Customs had agreed to provide brokers with a response within 15 minutes. In 1987, about 40 percent of formal entries were being sent electronically.

In order to shorten response times, Customs improved ABI. First, Customs enhanced ACS by installing solid-state storage devices to speed processing. In addition, at Customs' request, the data base vendor reviewed and revised the data base software package. Further, Customs revised ABI programming to allow faster access to ABI records. Currently, brokers generally agree that turnaround times are no longer a problem.

According to Customs officials, with these improvements, ABI should be able to accommodate expected increases in the ABI work load. These officials project that within 2 to 3 years, ABI will receive about 85 percent of all formal entries electronically. In addition to the technical improvements identified above, Customs recently upgraded a mainframe computer and plans to keep pace with work load increases by continuing to enhance the ACS computer and telecommunications resources. The Commissioner of Customs approved submission of a request for almost $150 million to the Department of the Treasury on August 17, 1988, to enhance the system over the next 5 years. About $130 million of this funding will be used to upgrade the system's processing, storage, and telecommunications capacity.

GAO Automated Manifest System (AMS)



Source U.S. Customs Service

- Allows electronic exchange of manifest/bill of lading information between Customs and carriers
- Used for enforcement screening of cargo
- Facilitates entry process by electronic cargo release

The manifest submitted to Customs by a carrier transporting goods to this country includes separate bills of lading, which describe each individual shipment on a ship, plane, train, or truck. The AMS module is intended to allow electronic exchange of bill of lading information between Customs and carriers. Currently, the ship module of AMS creates an inventory of cargo being transported to this country from data transmitted to Customs by participating carriers. Through AMS, Customs can instruct carriers to hold shipments considered to be enforcement risks. Once Customs personnel release cargo and the release information is entered into ACS, the inventory is automatically adjusted. AMS produces a discrepancy report for reconciliation if the manifest and release data do not agree.

In addition to these cargo processing functions, AMS is used to support Customs' drug enforcement. Using some of AMS' automated features, as well as other information, Customs enforcement personnel review manifest data to identify cargo that may contain narcotics.

GAO AMS Participation

Sea Manifest--operational

- 15 seaports
- 16 carriers electronically submit 45 percent of ocean bills of lading

Air Manifest--set for testing in late October 1988

Rail Manifest--deferred

Truck Manifest--deferred

The type of carrier used to transport imports to this country will determine shipment size and travel time, as well as the timeliness of that carrier's manifest data transmission. Customs is tailoring its AMS software to accommodate different carriers by developing separate modules for ships, airplanes, trains, and trucks.

These automated manifest modules are in various stages of operation, development, or planning, as follows:

- The automated sea manifest module for ocean carriers has been operational since March 1985. According to a Customs report, on September 2, 1988, this module was working in 15 seaports. In July 1988, 16 carriers electronically sent approximately 45 percent of all ocean bills of lading submitted to Customs.
- Development and pilot testing of the air manifest module was originally scheduled to be completed in June 1986, but has been delayed. According to Customs, negotiations with the airline industry over which communications protocol[3] should be used to transfer data between airline computers and ACS have delayed implementing the system as originally scheduled. In October 1987, Customs and the airlines agreed on a protocol, and Customs began developing the air manifest module. Customs began pilot testing the module in October 1988.
- Customs has met with railroad representatives to define data elements and technical interfaces needed for rail carriers to electronically submit manifest data to ACS. According to Customs and a railroad representative, they believe a rail manifest module will be easy to implement since the rail industry is already highly automated. Customs officials told us, however, that they have deferred developing this module because of higher priority ACS requirements.
- Plans to develop an automated truck manifest module have, according to Customs, not been made, but Customs is considering the issue. In addition, a trucking industry representative said the industry is interested in discussing an automated manifest system, because of the growth of the trucking industry; however, Customs had not contacted the industry about it. Customs is delaying development of a truck manifest module because of higher priority ACS requirements. Customs officials added that there is some question whether further automation will be better than the current process of screening invoices and manifests for trucks crossing U.S. borders.

[3]A protocol is a formal set of conventions governing the format and control of data sent between two communicating processes. The protocol defines the sequence of operations required to transmit and receive the data, control errors, and check the accuracy of information received.

GAO Sea Manifest Observations

- Carriers do not uniquely identify bills of lading
- Until recently, in-bond shipments could not be electronically released through AMS
- Security access controls are not fully implemented

We identified three issues that are hampering or have hampered the full utilization of AMS for sea carriers.

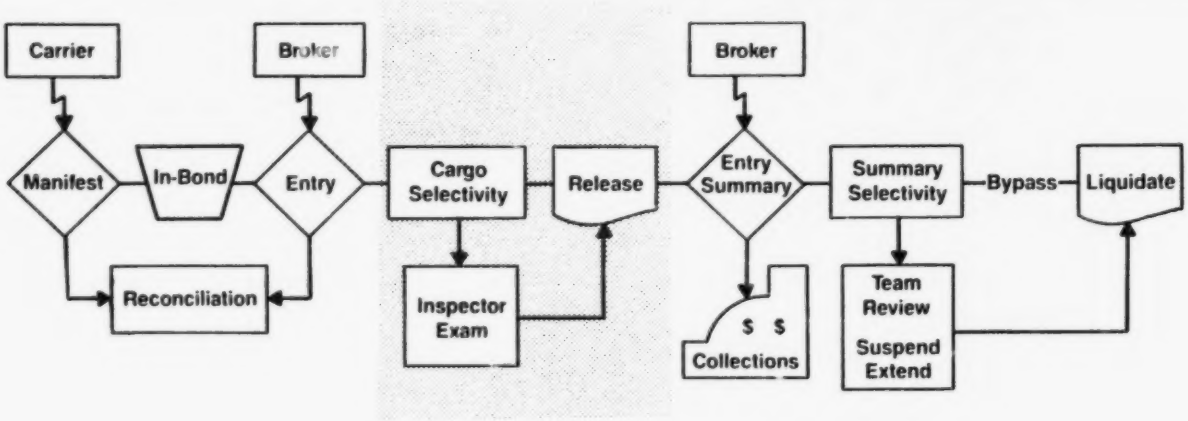
- Customs has had problems getting sea carriers to use unique numbers to identify bills of lading. AMS was designed to use a unique number for processing manifest data. In December 1987, Customs proposed a regulation in the Federal Register requiring each bill of lading to be identified by a unique, 12-character number. According to Customs, this unique number would greatly improve automated tracking of merchandise covered by a bill of lading and eventually allow Customs to automate all phases of cargo processing. To ensure that the number remains unique, the proposed regulation stated that each number would not be reused for a period of 10 years after being issued.

  Although sea carrier representatives agreed that a unique bill of lading number is necessary, they disagreed with the format of the number and the length of time the number must remain unique. The Commissioner of Customs announced in June 1988 that a consensus had been reached, and that the unique number would be 16 characters in length and its issuer would not reuse it for 3 years. Customs officials told us that a final rule had been submitted for publication in the Federal Register. As of April 1, 1989, all sea carriers are required to use unique bill of lading identifiers.

- At the time of our review, the sea manifest module did not allow for electronic notification of the release of cargo transported in-bond. In-bond cargo arrives in a port in this country, but is not inspected or released at that port. In-bond shipments are transported to a port of final destination where the merchandise is either re-exported or inspected and released into the commerce of the United States. A Customs headquarters official responsible for in-bond operations estimates that about 40 percent of all imported cargo is shipped in-bond. Until recently, releasing this cargo at its final destination port required the brokers to prepare and Customs to manually process release forms. Customs officials told us that the capability to electronically release in-bond shipments became operational September 1, 1988.
- Some planned security access controls have not been incorporated into the sea manifest module. Access to the module will soon be granted to other agencies, such as the Department of Agriculture, to enable their personnel to enter and update AMS data, such as the need to hold ship-

ments for Agriculture inspection. To ensure that other agencies' employees cannot access information or perform operations beyond the scope of their authority, more security controls must be incorporated into the module. According to Customs officials, these security controls have been added, but are awaiting testing.

GAO Cargo Selectivity



Source: U.S. Customs Service

Cargo Selectivity module targets cargo for inspection

- High-risk shipments
- First-time importers
- Random shipments

The ACS cargo selectivity module became operational in July 1985. The data base for this module contains selectivity criteria that are designed to identify high-risk shipments. The criteria consist of up to five pieces of information (type of commodity, manufacturer, person or organization filing the entry, importer, and country of origin) that the module uses to help determine which cargo may need close inspection. These criteria can be used in various combinations to target shipments entering all ports or only shipments entering a specific port. In addition, the module's history file includes records of previous importer transactions, including prior inspection results. This file is used to develop new criteria combinations and to identify shipments to first-time importers for inspection.

When information pertaining to a shipment is entered into ACS, the module tests data consistency and compares the shipment data with the module's criteria and history files. The system displays, on the basis of these comparisons, one of three messages for action: general examination, document review, or intensive examination.

The general examination message does not require inspectors to take any specific action, and selectivity automatically provides a release date for the cargo. The document review message calls for inspectors or other Customs personnel to review entry documents to identify whether the forms might contain other data that would warrant examination of the shipment. The intensive examination message identifies cargo that requires physical inspection unless a supervisory inspector approves overriding of the computer.

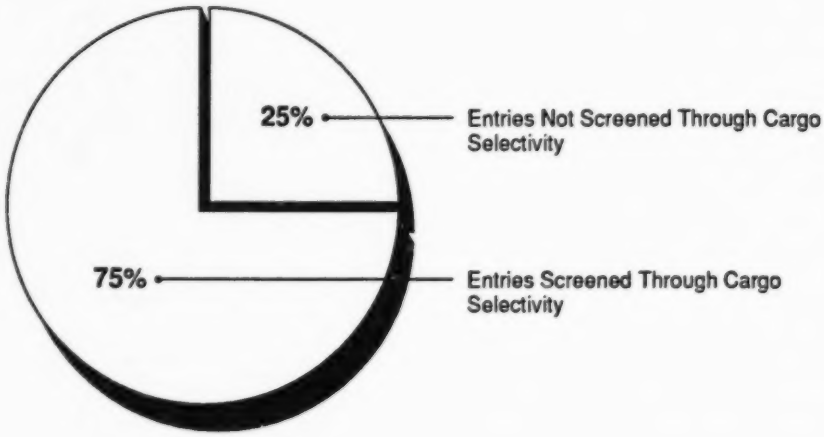
The system generates the intensive examination message under one of three conditions. First, when an entry contains data that match criteria in the cargo selectivity data base, the module instructs inspectors to physically examine the shipment. If ACS targets cargo for an intensive examination, a supervisor must approve overriding the message. Second, if the cargo selectivity module identifies the shipment as going to a first-time importer, inspectors must examine the shipment. A Customs directive generally prohibits inspectors from overriding the requirement to inspect such shipments. In June 1988, ACS was modified to enable Customs inspectors to override this requirement for up to five shipments to an importer. Finally, the module randomly selects entries for intensive inspection. About seven-tenths of one percent of formal entries are designated for inspection in this manner. Customs' cargo examination directive requires inspections of these shipments.

The cargo selectivity module also alerts inspectors to a first-time relationship in a transaction. For example, the first time an importer imports a new commodity, this fact is provided for the inspector's use in deciding whether further examination is needed.

According to Customs, the ACS cargo selectivity module is a valuable tool in decision making; however, a great deal of reliance is placed on inspectors. For example, inspectors can override a general examination determination, and instead make an intensive examination.

When ACS designates a shipment for intensive examination or the inspector overrides a general examination designation and conducts an intensive examination, ACS does not generate release data until examination results are entered into the system. These examination results are entered into the module's history files, which are maintained on-line for 5 years.

GAO Cargo Selectivity Participation



As of September 1, 1988, Customs personnel were using ACS cargo selectivity at 131 U.S. ports of entry to screen about 75 percent of all formal entries. According to Customs officials, with the exception of northern border ports, the busiest commercial ports use cargo selectivity. At ports without ACS, inspectors select shipments to examine based on review of entry and manifest documents.

Customs hopes next to expand cargo selectivity to five major northern border ports. In fiscal year 1987, these five ports accounted for about 22 percent of all formal entries received. While Customs officials expect this expansion to take place in 1989, they were not able to provide a formal schedule for this or any other future expansion of the cargo selectivity module. Customs officials doubt that it will be cost-effective to incorporate cargo selectivity at the approximately 150 remaining ports of entry where the number of entries are low.

GAO Cargo Selectivity Observations

- History files are incomplete and contain inaccurate data
- Some users are not fully trained concerning cargo selectivity capabilities

During our review, we noted two instances where the cargo selectivity module's history files were incomplete or inaccurate. We also noted apparent weaknesses in Customs' efforts to train personnel to use selectivity and other ACS modules.

History Files

One instance involving incomplete history files relates to how unresolved entries were being closed. When the cargo selectivity module designates a shipment for intensive examination and the inspection results are not entered within 7 days, an unresolved entry report is generated. A February 1988 Customs headquarters memorandum revealed that at 18 ports, personnel had not posted about 15,000 inspection results. The memorandum urged these ports to resolve these open entries. At one of the ports, Customs inspectors said that cargo examinations were conducted in many cases, but documentation of the results of these examinations was lost and inspectors could not recall examination results. They therefore resolved these open entries by overriding the intensive examination messages and designating shipments for general examinations.

In the instance involving inaccurate history files, Customs officials said that, because of heavy work loads, inspectors have not always performed the required intensive examination of shipments to first-time importers. Since the system would not allow override of these inspections, inspectors falsely reported that they had conducted an intensive examination and no discrepancies had been found. In June 1988, ACS was modified to permit inspectors to override up to five cargo selectivity commands requiring an intensive examination for first-time importers. However, this will not correct prior inaccurate entries.

Because of the preliminary nature of our work, we did not determine the magnitude of these problems or their impact on the overall reliability of the history files. Customs officials have reemphasized to ACS users the importance of closing entry reports in a timely and accurate manner. We plan to continue our work examining the effectiveness of this module.

Training

In April 1988, Customs conducted a user satisfaction survey. In the survey, 70 percent of the agency's inspections and control personnel surveyed said that they did not have enough training to make full use of ACS. Further, field personnel responsible for training said that they had to develop their own training materials. Customs is aware that more training is needed. A June 1988 report stated that Customs plans to

establish regional training centers to provide ACS training to those who use ACS now and to those who have not yet used ACS, and to update field personnel as the ACS system changes. In addition, Customs will provide training support with curricula, lesson plans, printed and on-line manuals, instructional tapes, and on-line computer-aided instruction.

Appendix II

Major Contributors to This Report

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